Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

PAGE 01 STATE 179079

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ORIGIN EB-07

INFO OCT-01 AF-08 ARA-10 EUR-12 EA-09 ISO-00 SS-15 L-03

FMC-02 COME-00 CG-00 DOTE-00 CIAE-00 DODE-00 INR-07

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DRAFTED BY EB/TCA/MA:RKBANK:BST
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EUR/SOV:WEDGAR
C:JMONTGOMERY(SUBS)
L/EB:JRCROOK(SUBS)
S/S - MR. PET:R S. BRIDGES
D:RMPOATS
---------- 080036
P 202057Z JUL 76
FM SECSTATE WASHDC
TO AMEMBASSY MOSCOW PRIORITY
AMEMBASSY WARSAW PRIORITY
AMEMBASSY LONDON PRIORITY
AMEMBASSY PARIS PRIORITY
USMISSION OECD PARIS PRIORITY
AMEMBASSY BRUSSELS PRIORITY
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AMEMBASSY THE HAGUE PRIORITY
AMEMBASSY ROME PRIORITY
AMEMBASSY ATHENS PRIORITY
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AMEMBASSY TOKYO PRIORITY
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AMEMBASSY MADRID PRIORITY
AMEMBASSY MEXICO PRIORITY
AMEMBASSY CANBERRA PRIORITY
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PAGE 02 STATE 179079

AMCONSUL HAMBURG PRIORITY

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

E.O. 11652: N/A

TAGS: EWWT, UR

SUBJECT: FEDERAL MARITIME COMMISSION ANNOUNCES US-USSR "MEMORANDUM AGREEMENT"

1. FEDERAL MARITIME COMMISSION (FMC) CHAIRMAN KARL E. BAKKE ANNOUNCED AT A PRESS CONFERENCE ON JULY 19 THE SIGNING OF A "MEMORANDUM AGREEMENT" WITH THE SOVIET MINISTRY OF MERCHANT MARINE CONCERNING "PRINCIPLES TO GOVERN PARTICIPATION OF COMMON CARRIERS IN THE U.S. OCEAN CARGO TRADES".

2. THE "AGREEMENT" COMMITS THE "GOOD OFFICES" OF THE COMMISSION AND THE MINISTRY TO ACCOMPLISH TWO RESULTS:

-- FIRST, SOVIET CARRIERS WILL NOT CHARGE OCEAN CARGO RATES THAT ARE LOWER THAN THE LOWEST RATE CHARGED FOR THE SAME COMMON COMMODITY BY ANY NON-SOVIET CARRIERS IN THE PARTICULAR TRADE INVOLVED.

-- SECOND, SOVIET CARRIERS WILL ACTIVELY PURSUE MEMBERSHIP, ON EQUITABLE TERMS AND CONDITIONS FOR ALL MEMBER CARRIERS, IN LINER CONFERENCES COVERING THE U.S. NORTH ATLANTIC AND PACIFIC OCEAN CARGO TRADES.

3. BAKKE NOTED THAT IT WAS REACHED AND SIGNED IN LENIN-GRAD ON JULY 16 AFTER WHAT HE DESCRIBED AS "A WEEK OF INTENSIVE DISCUSSIONS WITH REPRESENTATIVES OF THE MINISTRY OF MERCHANT MARINE AND OF MAJOR SOVIET OCEAN CARRIERS".

4. THE DEPARTMENT'S POSITION ON THIS "MEMORANDUM AGREE-MENT" IS AS FOLLOWS (AND CAN BE USED AS PRESS GUIDANCE):

UNCLASSIFIED

PAGE 03 STATE 179079

THERE IS NO NEW GOVERNMENT-TO-GOVERNMENT SHIPPING AGREEMENT BETWEEN THE U.S. AND USSR. KARL BAKKE, CHAIRMAN OF THE FEDERAL MARITIME COMMISSION (FMC), WHILE IN THE SOVIET UNION, HAS OBTAINED FROM SOVIET SHIPPING OFFICIALS AN UNDERSTANDING THAT SOVIET CARRIERS WILL RAISE WHERE NECESSARY AND MAINTAIN OCEAN CARGO RATES AT A LEVEL NOT LOWER THAN THE LOWEST RATE ACTUALLY USED FOR THE SAME COMMODITY BY ANY "NON-SOVIET" CARRIER (INDEPENDENT, NOT ONLY CONFERENCES). ALSO, SOVIET CARRIERS WILL ACTIVELY PURSUE MEMBERSHIP ON EQUITABLE TERMS AND CONDITIONS FOR ALL MEMBER CARRIERS IN LINER CONFERENCES COVERING THE U.S. NORTH ATLANTIC AND PACIFIC OCEAN CARGO TRADES.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

WE BELIEVE THAT THE UNDERSTANDING REACHED BY MR. BAKKE WITH SOVIET SHIPPING OFFICIALS CAN AVOID PREDATORY RATES WITHIN THE MAJOR U.S. TRADE ROUTES. THE QUESTION OF SOVIET AND OTHER STATE-CONTROLLED SHIPPING PRACTICES HAS BEEN OF GREAT CONCERN TO THE U.S. MARITIME INDUSTRY OVER THE LAST FEW YEARS AND WE HOPE THAT THIS UNDERSTANDING MAY BE HELPFUL IN RELIEVING WHAT HAS CERTAINLY BEEN A SIGNIFICANT CONCERN ON THE PART OF THE MARITIME INDUSTRY.

5. TEXT OF THE "MEMORANDUM AGREEMENT" FOLLOWS:

QUOTE

HAVING DISCUSSED FULLY AND FREELY MATTERS OF MUTUAL INTEREST CONCERNING THE LINER TRADES OF THE SOVIET UNION AND THE UNITED STATES, AND

HAVING AGREED UPON THE IMPORTANCE OF A VIABLE LINER CONFERENCE SYSTEM IN MAINTAINING STABILITY IN THOSE TRADES, AND

WITH DUE REGARD TO THE LEGITIMATE ECONOMIC INTERESTS OF CARRIERS, SHIPPERS AND CONSUMERS THAT ARE SERVED BY LINER CONFERENCES IN THE UNITED STATES OCEAN TRADES, AND

WITH DUE REGARD TO THE LONG-TERM BENEFITS TO COMMERCIAL RELATIONSHIPS BETWEEN THE SOVIET UNION AND THE UNITED STATES THAT CAN BE REALIZED FROM STABILITY OF OCEAN CARGO

RATES IN THOSE TRADES,

THE PARTIES HERETO HAVE MUTUALLY AGREED TO UTILIZE THE GOOD OFFICES OF THEIR RESPECTIVE AGENCIES TO ACHIEVE THE FOLLOWING:

1. ALL OCEAN CARGO RATES CONTAINED IN TARIFFS OF SOVIET CARRIERS NOW ENGAGED AS INDEPENDENTS IN THE LINER TRADES OF THE UNITED STATES SHALL, AS PROMPTLY AS IT IS FEASIBLE, BE ADJUSTED TO A LEVEL NO LESS THAN THAT OF THE LOWEST RATE IN USE FOR THE SAME COMMODITY OF ANY OTHER INDEPENDENT CARRIERS IN THOSE TRADES,

2. THEREAFTER, PROMPT ACTION SHALL BE TAKEN, AS NECES-SARY, TO MAINTAIN THE FOREGOING RELATIONSHIP BETWEEN OCEAN CARGO RATES OF SOVIET CARRIERS ENGAGED AS INDEPENDENTS IN THE LINER TRADES OF THE UNITED STATES AND THE OCEAN CARGO RATES FOR T;E SAME COMMODITY CONTAINED IN THE TARIFFS OF OTHER INDEPENDENT CARRIERS IN THOSE TRADES,

3. DISCUSSIONS SHALL PROMPTLY BE RESUMED CONCERNING EQUITABLE TERMS AND CONDITIONS FOR CONFERENCE MEMBERSHIP

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

OF SOVIET CARRIERS IN THE NORTH ATLANTIC LINER TRADES OF THE UNITED STATES, WITH PARTICULAR ATTENTION TO THE PRINCIPLE OF TEMPORARY RATE DIFFERENTIALS FOR SOVIET CARRIERS IN THOSE TRADES BASED UPON DIFFERENCES IN THE SERVICES OFFERED BY SOVIET CARRIERS AND BY OTHER CARRIERS IN THOSE TRADES, SUCH RATE DIFFERENTIALS TO BE (A) REASONABLE RELATED TO THE DEGREE OF DIFFERENCES IN SUCH SERVICES, AND (B) TO BE PROMPTLY ELIMINATED AS THE SERVICES IN QUESTION REACH A REASONABLE DEGREE OF COMPARABILITY, AND

4. DISCUSSIONS SHALL PROMPTLY BE INITIATED CONCERNING EQUITABLE TERMS AND CONDITIONS FOR CONFERENCE MEMBERSHIP OF SOVIET CARRIERS IN THE INBOUND AND OUTBOUND CONFERENCES SERVING PACIFIC LINER TRADES OF THE UNITED STATES IN WHICH THE SOVIET CARRIERS ARE NOT NOW CONFERENCE MEMBERS, WITH PARTICULAR ATTENTION TO THE PRINCIPLE OF TEMPORARY RATE DIFFERENTIALS FOR SOVIET CARRIERS AS SET FORTH IN PARAGRAPH 3 ABOVE.
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THE PARTIES HERETO HAVE ALSO MUTUALLY AGREED THAT HENCE-FORTH THERE MUST BE CLOSER WORKING RELATIONSHIPS BETWEEN THEIR RESPECTIVE AGENCIES CONCERNING EXCHANGE OF FACTUAL INFORMATION AND POLICY QUESTIONS AND THAT THE NECESSARY STEPS SHALL BE PROMPTLY UNDERTAKEN. UNQUOTE. KISSINGER

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Margaret P. Grafeld
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EO Systematic Review
04 MAY 2006

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